

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
LABOR & PUBLIC EMPLOYMENT
ON
FEBRUARY 10, 2015

H.B. 697

RELATING TO STATE FACILITIES

Chair Nakashima and members of the Committee, thank you for the opportunity to submit written testimony on H.B. 697.

The Department of Accounting and General Services (DAGS) does not support H.B. 697.

Section 26-6, and Chapter 171-30 (b), Hawaii Revised Statutes, authorizes DAGS to acquire office space in a non-State-owned building for use by a State department or agency. This function is performed by the DAGS Office Leasing Program.

DAGS does not have the staff, expertise, or resources to perform centralized leasing services for all real property transactions for all departments and agencies of the State.

Thank you for the opportunity to submit written testimony on this matter.

DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
CARTY S. CHANG
Interim Chairperson**

**Before the House Committee on
LABOR & PUBLIC EMPLOYMENT**

**Tuesday, February 10, 2015
9:00 A.M.
State Capitol, Conference Room 309**

**In consideration of
HOUSE BILL 697
RELATING TO STATE FACILITIES**

House Bill 697 proposes to give the Department of Accounting and General Services ("DAGS") the authority to negotiate and process leases of private real property for use by departments and agencies of the State. Currently, pursuant to section 26-6(b)(6) and section 171-30(b), Hawaii Revised Statutes (HRS), DAGS is authorized to acquire office spaces in buildings not owned by the State for use by state agencies. Additionally, the bill proposes language to be inserted in section 26-6(b)(6), HRS, that appears to give DAGS the authority to negotiate and process leases of public buildings for use by departments of the State. **The Department of Land and Natural Resources ("DLNR") opposes this bill.**

The bill gives only the functions of negotiating and processing leases of private property for use by state agencies to DAGS while the Board of Land and Natural Resources ("BLNR") retains the authority to actually acquire the leasehold interests in behalf of the State. The bill does not transfer acquisition authority from the BLNR to DAGS. Because the negotiation and processing of leases are integral to the acquisition of leasehold interests, it makes no sense to separate negotiation and processing from the actual acquisition. The BLNR and DLNR have historical experience in such land matters and have the staff to carry out such leasehold acquisitions, including negotiating and processing leases.

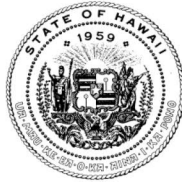
Furthermore, the intent of the language added to section 26-6(b)(6), HRS, is unclear. It may imply that the use of public buildings by state departments must be achieved through leases of the public buildings. Current law gives DAGS the authority to operate and maintain public buildings. We question what this provision really means.

CARTY S. CHANG
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

DANIEL S. QUINN
INTERIM FIRST DEPUTY

W. ROY HARDY
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS



Testimony of
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 10, 2015
9:00 a.m.
State Capitol, Room 309

H.B. 697
RELATING TO STATE FACILITIES

House Committee Labor & Public Employment

The Department of Transportation (DOT) **opposes** this bill, which proposes to establish Department of Accounting and General Services (DAGS) as the lead department for negotiating and processing real property leases for state departments.

This bill is particularly problematic for DOT's harbors and airports facilities to receive full, fair value for its lands, which would require knowledgeable staff with expertise and historical background in specific lands and tenant situations.

Specifically in the case of airports, there is a statutory requirement that the airports operate on a residual basis, which requires frequent adjustments to the rates paid by the signatory and non-signatory air carriers.

Furthermore, leases at the various facilities are executed with a fair amount of regularity. It would be very inefficient to assign DAGS this responsibility as DOT already has the staff, expertise and processes in place to negotiate and process the leases for DOT's facilities.

Thank you for the opportunity to provide testimony.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Labor & Public Employment
February 10, 2015 at 9:00 a.m.

by
Jan Gouveia
Vice President for Administration
University of Hawai'i

HB 697 – RELATING TO STATE FACILITIES

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The University of Hawai'i (the "University") respectfully opposes HB 697 to the extent it transfers responsibility and authority to negotiate leases of private real property for University purposes from the University to the Department of Accounting and General Services.

Pursuant to Hawai'i Revised Statutes § 304A-103, the University has the authority to negotiate and execute leases in accordance with statutory purposes (including negotiating for office space in buildings located on private lands). To the extent HB 697 may be in conflict with this authority, the University requests that your committee amend the bill so that subsection (7) at line 3, page 2 of the bill reads as follows:

(7) Except as otherwise provided by law, negotiate and process leases of private real property for departments and agencies of the State;

Thank you for the opportunity to provide testimony on this measure.

HB 697

I support this “Bill for An Act”. However, I believe there needs to be some flexibility of the State’s Information Technology Sectors that operates independently so that Hawaii maintains a strategic threshold in emerging global markets.

Harold Ames, Public Service

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

2015 OFFICERS

PRESIDENT
RICHARD HOBSON, JR.
GENTRY HOMES, LTD.

PRESIDENT-ELECT
CRAIG WASHOFSKY
SERVCO HOME & APPLIANCE
DISTRIBUTION

VICE PRESIDENT
EVAN FUJIMOTO
GRAHAM BUILDERS, INC.

TREASURER
GUY J. SHINDO
FIRST HAWAIIAN BANK

SECRETARY
MICHAEL WATANABE
JW, INC.

SPECIAL APPOINTEE-BUILDER
PAUL D. SILEN
HAWAIIAN DREDGING
CONSTRUCTION CO, INC

SPECIAL APPOINTEE-BUILDER
MARK KENNEDY
HASEKO CONSTRUCTION
MANAGEMENT GROUP, INC.

SPECIAL APPOINTEE-ASSOCIATE
DEAN UCHIDA
SSFM INTERNATIONAL, INC.

IMMEDIATE PAST PRESIDENT
BRIAN K. ADACHI
BKA BUILDERS, INC.

CHIEF EXECUTIVE OFFICER
GLADYS MARRONE
BIA-HAWAII

2015 DIRECTORS

ANTHONY BORGE
RMA SALES

CARLETON CHING
CASTLE & COOKE HOMES
HAWAII, INC.

CHRIS CHEUNG
CC ENGINEERING &
CONSTRUCTION, INC.

CLIFTON CRAWFORD
C&J CONTRACTING, INC.

CURT KIRIU
CK INDEPENDENT LIVING BUILDERS

DWIGHT MITSUNAGA
DM PACIFIC, INC.

GARY T. OKIMOTO
HONOLULU WOOD TREATING

JACKSON PARKER
D.R. HORTON, SCHULER DIVISION

JENNIFER ANDREWS
COLDWELL BANKER PACIFIC
PROPERTIES

LILI SHINTANI
ALAN SHINTANI, INC.

MARK HERTEL
INTER-ISLAND SOLAR SUPPLY,
OAHU-MAUI-HAWAII-KAUAI

SARAH LOVE
BAYS LUNG ROSE & HOLMA

MAILING
P.O. BOX 970967
WAIPAHU, HAWAII
96797-0967

STREET
94-487 AKOKI STREET,
WAIPAHU, HAWAII 96797
P 808.847.4666
F 808.440.1198
E INFO@BIAHAWAII.ORG

WWW.BIAHAWAII.ORG

Testimony to the House Committee on Labor & Public Employment

Tuesday, February 10, 2015

9:00 a.m.

State Capitol - Conference Room 309

RE: HOUSE BILL NO. 697 RELATING TO STATE FACILITIES

Chair Dela Cruz and Vice Chair Nishihara, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII **supports** the intent of H.B. 697, which establishes Department of Accounting and General Services (DAGS) as the lead department for negotiating and processing real property leases for state departments. The bill proposes to amend Chapter 26-6, Hawaii Revised Statutes, (b) by adding the following:

(6) Undertake the program of centralized engineering and office leasing services, including operation [and], maintenance, lease negotiation, and lease processing of public buildings, for departments of the State;

(7) Notwithstanding any other law to the contrary, negotiate and process leases of private real property for departments and agencies of the State;

The proposed language appears to recognize DAGS as the lead agency for negotiating leases for both state and private owned buildings for use by a state agency. It is unclear from the language if the intent is to allow DAGS to also negotiate leases of state owned facilities for "private" use to perhaps generate revenue from underutilized facilities. It is also unclear if the bill proposes to allow DAGS to negotiate "lease back" agreements or public private partnerships where the state may lease a parcel of state owned lands to a private developer at a nominal lease rent and who then develops a facility that can be leased back to the state, with the state owning the improvements at the end of the lease term.

The legislature should consider providing more language in the bill to clarify the situations where DAGS can negotiate real property leases of state owned or private facilities to allow for maximum flexibility on a go-forward basis.

Finally, we understand that the existing language in Chapter §171-30 (b) HRS requires that the department of accounting and general services shall be responsible for the acquisition of any office space in a non-state owned building for use by a state department or agency.

It is unclear how the proposed section 7 of the bill clarifies DAGS existing authority in Chapter 171 HRS.

Thank you for the opportunity to express our views on this matter.